

Message Text

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PAGE 01 CANBER 01043 01 OF 03 140735Z

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ACTION AGR-08

INFO OCT-01 EA-06 ISO-00 EB-07 COME-00 USIA-06 TRSE-00

CIAE-00 INR-07 NSAE-00 /035 W
----- 027752

R 140610Z FEB 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5076

LIMITED OFFICIAL USE SECTION 1 OF 3 CANBERRA 1043

PASS: AGRICULTURE FOR MEEKER AND MACKIE, FAS/W AND USIA

E.O. 11652: N/A

TAGS: EAGR,ETRD, EGEN, AS

SUBJECT: SPECIAL QUARTERLY REPORT LIVESTOCK AND MEAT

REF: CODE 13-C

GENERAL SUMMARY

AUSTRALIAN MEAT EXPORTS TO U.S. IN CY 1975 SUBJECT TO MEAT IMPORT LAW ARE ESTIMATED AT 360,000 MT (UNDER THE ASSUMPTION OF NO U.S. RESTRAINTS ON IMPORTS). THIS ESTIMATE IS 10,000 MT ABOE THE FIRST QUARTER ESTIMATE AND SUBSTANTIALLY ABOE THE 225,672 SHIPPED DURING THE NOVEMBER-COTOBER SHIPPING YEAR IN 1974.

THE OUTLOOK FOR AUSTRALIAN BEEF PRODUCTION IN 1975 REMAINS UNCERTAIN DUE TO THE GENERALLY GLOOMY OVERSEAS OUTLOOK. A NORMAL SLAUGHTER OFF-TAKE, BASED ON PROJECTED CATTLE NUMBERS OF 34.5 MILLION HEAD IN MARCH 1975, WOULD GIVE AN OUTPUT IN ACCESS OF 1.8 MILLION MT OF BEEF, (CWE). SLAUGHTER WEIGHTS WILL BE SOMEWHAT HEIGHER. IN VIEW OF CURRENT DEMAND OUTPUT THAT HIGH UNLIKELY. THE RECENT LARGE SALE TO USSR AND A SUBSTANTIAL INCREASE IN HOME CONSUMPTION PROVIDES SOME RELIEF. HOWEVER, WITH THE LARGE BACK-LOG OF SUPPLIES, IT IS UNLIKELY THESE

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PAGE 02 CANBER 01043 01 OF 03 140735Z

DEVELOPMENTS WILL HAVE A SIGNIFICANT IMPACT ON BEEF

PRICES PARTICULARLY WITH SLOW EXPORT DEMAND AND THE GROWING BEEF SURPLUS IN EC.

MEAT SITUATION

1. TWO ESTIMATES OF BEEF PRODUCTION ARE GIVEN FOR CY 1975, ONE ASSUMING NO RESTRAINTS ON IMPORTS INTO U.S. AND THE OTHER WITH RESTRAINTS AT LEVEL ANNOUNCED IN DECEMBER 1974. UNDER ASSUMPTION OF NO RESTRAINTS, BEEF PRODUCTION IS ESTIMATED AT 1.65 MILLION MT. THIS IS 32 PERCENT ABOVE 1974. WITH RESTRAINTS, PRODUCTION IS ESTIMATED SLIGHTLY LESS AT 1.60 MILLION MT. BOTH ESTIMATES ASSUME THAT ACCESS TO THE OTHER TWO MAJOR MARKETS, THE EC AND JAPAN, WILL REMAIN LIMITED. GOVERNMENT OFFICIALS PUSHING TO KEEP SLAUGHTER CATTLE MOVING TO MARKET IN ORDER TO AVOID FURTHER BUILD-UP IN CATTLE POPULATION. GREATER EFFORTS WILL BE MADE IN NON-TRADITIONAL MARKETS ESPECIALLY IF U.S. RESTRAINTS ARE EFFECTUATED.

2. SEASONAL CONDITIONS IN AUSTRALIA REMAIN GENERALLY GOOD AND THERE HAVE BEEN NO REPORTS AS YET OF MOVEMENTS DUE TO DROUGHT. SOME AREAS ARE REPORTING BELOW AVERAGE RAINFALL, HIGH TEMPERATURES AND EXTENSIVE DAMAGE DUE TO GRASS FIRES. WEATHER HAS SETTLED INTO A FAIRLY NORMAL SUMMER PATTERN IN SOUTHERN AREAS. PRODUCERS BEING ADVISED TO MOVE STOCK AS SOME AREAS ARE OVER-STOCKED AND WOULD BE IN TROUBLE FAST IF DRY WEATHER SHOULD HIT. THE PRICE RECESSION HAS ALSO LEAD TO RELAXATION IN SOME MANAGEMENT PRACTICES, PARTICULARLY FERTILIZER USE, WHICH COULD SHOW LATER IN YEAR. SEASONAL CONDITIONS COULD CHANGE RATHER QUICKLY AND THIS WOULD CHANGE THE FORECAST OF PRODUCTION. A SUSTAINED DRY PERIOD WOULD LIKELY INCREASE MARKETINGS TO POINT WHERE PRICES WOULD NOT COVER MARKETING COSTS IN SOME AREAS.

3. THERE HAS BEEN A STEADY MOVEMENT OF CATTLE TO MARKET AS PRODUCERS NOW SEE LITTLE PROSPECTS FOR ANY PRICE IMPROVEMENT AND MANY NEED CASH. BEEF PRODUCTION IN NOVEMBER AND DECEMBER 1974 TOTALLED 262,721 MT COMPARED TO 202,805 MT A YEAR EARLIER. NORTHERN MEAT PLANTS ARE LIMITED OFFICIAL USE

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PAGE 03 CANBER 01043 01 OF 03 140735Z

NOW CLOSED FOR SUMMER. PRICES HAVE BEEN EASING AND IN MANY INSTANCES ARE ONLY 1/4 TO 1/3 OF THOSE A YEAR EARLIER RECENT PRICES REPORTED FROM CANNON HILL AUCTION ARE AS FOLLOWS IN AUSTRALIAN CENTS PER POUND, DRESSED WIEGHT: COWS 7.0 CENTS; HEAVY BULLOCKS 11.3 CENTS AND YEARLING 13.6 CENTS. MEAT PACKERS DOING BEST ON YOUNG CATTLE FOR HOME MARKET. VIRTUALLY NO MARKET FOR POOR QUALITY CATTLE. MANY OF THESE ANIMALS WILL LIKELY BE DISPOSED OF ON

PROPERTIES.

4. PRODUCER GROUPS PUSHING FOR MORE GOVERNMENT ASSISTANCE, BUT NOTHING NEW HAS DEVELOPED. MORE CARRY-ON FINANCING WILL LIKELY BE MADE AVAILABLE IF NEEDED AND CONDITIONS ON LOANS MAY BE LIVERIALIZED. OME TALK OF TRANSPORTATION SUBSIDIES TO NON-TRADITIONAL MARKETS AND OTHER ASSISTANCE, BUT NO OFFICIAL ANNOUNCEMENT. PRODUCERS CONCERNED THAT PRICE IN USSR CONTRACT SO LOW IT WILL DO LITTLE FOR PRICES. THERE ARE UNCONFIRMED RUMOURS THAT THE GOVERNMENT PROVIDED SOME FREIGHT SUBSIDY ON USSR SALE.

5. THERE HAVE BEEN SOME POSITIVE DEVELOPMENTS IN EXPORT MARKETS, BUT THE GENERAL PRICE OUTLOOK IS SITLL BLEAK FOR 1975. ASSUMING NO U.S. RESTRAINTS, TOTAL BEEF EXPORTS ARE ESTIMATED AT 550,000 MT, AND WITH RESTRAINTS AT 500,000 MT, PRODUCT WEIGHT. THE 40,000 MT SALE TO USSR, WITH OPTION FOR 20,000 MT MORE WAS WELCOME AND URGENTLY NEEDED TO KEEP EXPORTS MOVING. FURTHER SALES TO USSR AND TO EASTERN BLOCC COUNTRIES ARE POSSIBLE. SALES TO MIDDLE EAST LOOK FAVORABLE. EGYPT IS EXPECTED TO TAKE FROM 6,000 TO 12,000MT FOR ITS ARMED FORCES, AND IRAN, KUWAIT AND THE GULF STATES ARE EXPECTED TO INCREASE PURCHASES IN 1975. JAPAN LOOKS LIKE A MARKET FOR ABOUT 40,000 MT, AND EC ABOUT 10,000 MT, UNDER LEVY-FREE QUOTA.

6. EXPORTERS CLAIM U.S. BONELESS BEEF MARKET NOW FLOODED AND NOT PROFITABLE AT 45 U.S. CENTS. BONING COW PRICES HAVE BEEN FALLING. LABOUR COSTS (BONING) ARE UP SHARPLY AND OCEAN FIREIGHT RATES INCREASED 40 PERCENT IN LAST YEAR. OCEAN FREIGHT TO U.S. NOW 11.5 U.S. CENTS PER POUND. U.S. LIMITED OFFICIAL USE

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PAGE 04 CANBER 01043 01 OF 03 140735Z

MARKET IS EXPECTED TO IMPROVE LATER IN YEAR. WITH HEAVY FIRST QUARTER SHIPMENTS ALREADY IN TO U.S. AND PROSPECTS STILL LIMITED IN JAPAN AND EC, ESTIMATED SHIPMENTS TO U.S. COULD GO AS HIGH AS 360,000 MT, ASSUMING NO RESTRAINTS. SECOND QUARTER SHIPMENTS WILL LIKELY BE SOMEWHAT SMALLER THAT FIRST QUARTER.

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PAGE 01 CANBER 01043 02 OF 03 140756Z

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ACTION AGR-08

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----- 027995

R 140610Z FEB 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5077

LIMITED OFFICIAL USE SECTION 2 OF 3 CANBERRA 1043

PASS: AGRICULTURE FOR MEEKER AND MACKIE, FAS/W AND USIA

7. FALLING RETAIL PRICES HAVE RESULTED IN A SHARP INCREASE IN DOMESTIC BEEF CONSUMPTION. DOMESTIC DISAPPEARANCE WAS FORECAST AT 700,000 MT FOR CY 1975, BUT HAS BEEN INCREASED TO AS HIGH AS 800,000 MT, IF EXPORTS TO U.S. ARE LIMITED. IF THIS RATE HOLDS, IT WOULD GIVE A PER CAPITA CONSUMPTION RATE OVER 130 POUNDS PER PERSON IN 1975, THE HIGHEST SINCE BEFORE WWII.

8. MUTTON PRODUCTION FOR CY 1975 IS FORECAST AT 268,000 MT COMPARED TO 224,000 MT IN 1974. SHEEP NUMBERS EXPECTED TO SHOW SUBSTANTIAL INCREASE IN 1975 AS PRODUCERS WITHHOLD DUE TO LOW PRICES FOR MUTTON AND GUARANTEED FLOOR PRICE FOR WOOL. CURRENTLY THE WOOL IS WORTH MORE THAN THE LIVE SHEEP.

9. EXPORT DEMAND FOR AUSTRALIAN MUTTON EXPECTED TO REMAIN WEAK DUE TO AVAILABILITY OF CHEAP BEEF. JAPAN EXPECTED TO REMAIN BEST MARKET, BUT THE MIDDLE EAST IS THE FASTEST GROWING MARKET. SHIPMENTS TO U.S. WILL BE MINOR IN 1975. AUSTRALIAN MEAT BOARD PLANS TO SET A LIMIT OF 3,000 MT (FIRST COME) ON MUTTON SHIPMENTS TO U.S. IT IS DOUBTFUL IF QUOTA WILL BE MET.

FOLLOWING TABLES FOR BEEF AND VEAL SHOW ALTERNATIVE FORECASTS FOR 1975 BOTH WITH AND WITHOUT RESTRAINTS
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PAGE 02 CANBER 01043 02 OF 03 140756Z

ON U.S. IMPORTS.

PART A - BEEF AND VEAL

I. SUMMARY:

	1973	1974	SO	1975
1. NUMBER ON FARMS	(ACTUAL)	(REVISED)	(FORECAST)	
(1,000 HEAD MARCH				
31)	29,100	30,900	34,500	
2. SLAUGHTER				
(1,000 HEAD)	1974	1975		
	(ACTUAL)	(FORECAST)		
	WITHOUT	WITH		
	RESTRAINTS	RESTRAINTS		
CATTLE	5,595	7,264	7,036	
CALVES	1,150	1,459	1,405	
TOTAL	6,745	8,723	8,441	
3. BEEF AND VEAL				
PRODUCTION				
(1,000 MT, CWE)				
BEEF	1,209	1,598	1,548	
VEAL	41	54	52	
TOTAL	1,250	1,652	1,600	

II. SUPPLY AND DISTRIBUTION BEEF AND VEAL ON CALENDER
YEAR BASIS, UNDER ASSUMPTION OF RESTRAINTS AND NO
RESTRAINTS ON U.S. MARKET. 1000 MT

	1947	1975		
	(ESTIMATED	(FORECAST)		
	WITHOUT	WITH		
	RESTRAINTS	RESTRAINTS		
SUPPLY:				
STOCKS (JAN. 1)	78.0	73.0	73.0	
PRODUCTION	1,250.0	1,652.0	1,600.0	
TOTAL	1,328.0	1,725.0	1,673.0	
DISTRIBUTION:				
DOMESTIC CONSUMPTION	694.0	785.0	800.0	
CANNING	55.0	60.0	70.0	
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PAGE 03 CANBER 01043 02 OF 03 140756Z

EXPORTS	506.0	800.0	730.0
(PROD. WT.)	(340.0)	(550.0)	(500.0)
ENDING STOCKS	73.0	80.0	73.0
TOTAL	1,328.0	1,725.0/	1,673.0/

/ INCLUDES BONE-IN USSR SHIPMENT (HINDS AND CROPS) CWE
CONVERSION OF 1.2.

III. 1. FORECAST OF BEEF AND VEAL SHIPMENTS TO U.S.
UNDER ASSUMPTION OF NO RESTRAINTS FOR 1975, BY QUARTERS

FOR THE NOVEMBER - OCTOBER SHIPPING YEAR WITH
COMPARISONS FOR 1973 AND 1974 ARE AS FOLLOWS (PRODUCT
WEIGHT IN MT):

	1973	1974	1975	
	(ACTUAL)	(ACTUAL)	(FORECAST)	
1ST QUARTER	61,192	69,681	98,534	ACT
2ND QUARTER	67,560	47,214	87,000	
3RD QUARTER	103,873	50,362	90,000	
4TH QUARTER	89,684	58,112	84,500	
TOTAL	322,309	225,369	360,000	

3. BEEF AND VEAL EXPORTS BY COUNTRY OF DESTINATION IN
MT FOR CALENDAR YEAR 1974 ESTIMATED AND FOR 1975
FORECAST (UNDER ASSUMPTION OF NO U.S. RESTRAINTS AND
RESTRAINTS):

	1974	1975	
	(ESTIMATED)	(FORECAST)	
		WITHOUT	WITH
		RESTRAINTS	RESTRAINTS
U.S.	242,000	360,000	280,000
CANADA	21,600	25,000	25,000
U.K. AND E.C.	21,800	10,000	10,000
OTHER EUROPE	4,600	6,000	6,000
JAPAN	27,500	40,000	40,000
USSR	-----	60,000	70,000
MIDDLE EAST	2,000	20,000	25,000
MALAYSIA	3,800	4,000	4,000
OTHER	18,400	25,000	40,000
TOTAL	339,700	550,000	500,000

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PAGE 04 CANBER 01043 02 OF 03 140756Z

PART B - SHEEP AND MUTTON

I. SUMMARY: 1973 1974 1975
 (ACTUAL) (REVISED) (FORECAST)

1. NUMBER ON FARMS
(1,000 HEAD,
MARCH 31) 140,029 145,300 151,000

2. SLAUGHTER
(1,000 HEAD,
MARCH 31)

SHEEP	16,436	11,000	13,400
LAMBS	15,639	14,500	16,000

3. MUTTON PRODUCTION
(1,000 MT, CWE) 316.2 224.0 268.0

II. S & D MUTTON CWE ON CALENDAR YEAR BASIS IN 1,000
MT:

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PAGE 01 CANBER 01043 03 OF 03 140801Z

11

ACTION AGR-08

INFO OCT-01 EA-06 ISO-00 EB-07 COME-00 TRSE-00 CIAE-00

INR-07 NSAE-00 USIA-06 /035 W
----- 028082

R 140610Z FEB 75

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TO SECSTATE WASHDC 5078

LIMITED OFFICIAL USE SECTION 3 OF 3 CANBERRA 1043

PASS: AGRICULTURE FOR MEEKER AND MACKIE, FAS/W AND USIA

SUPPLY:	1974	1975
	(ESTIMATED)	(FORECAST)
STOCKS	29.0	34.0
PRODUCTION	224.0	268.0
TOTAL	253.0	302.0
DISTRIBUTION:		
DOMESTIC CONSUMPT.	99.0	100.0
CANNING	11.0	11.0
EXPORTS (CWE)	109.0	157.0
(PROD WT)	(65.0)	(104.0)
ENDING STOCKS	34.0	34.0
TOTAL	253.0	302.0

III. 1 FORECAST OF MUTTON SHIPMENTS TO U.S. IN 1975
BY QUARTERS FOR THE NOVEMBER - OCTOBER SHIPPING YEAR
WITH COMPARISONS FOR 1973 AND 1974 ARE AS FOLLOWS
(PRODUCT WEIGHT IN MT):

	1973	1974	1975
	(ACTUAL)	(REVISED)	(FORECAST)
1ST QUARTER	1,830	508	100
2ND QUARTER	1,742	678	400

3RD QUARTER	772	NIL	500
4TH QUARTER	536	13	500
TOTAL	4,880	1,199	1,500

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PAGE 02 CANBER 01043 03 OF 03 140801Z

2. MUTTON EXPORTS 1974 AND 1975 FORECAST, MT PRODUCT
WEIGHT:

	1975	1975
JAPAN	34,500	50,000
MIDDLE EAST	14,000	28,000
CANADA	6,100	10,000
U.K.	3,600	4,000
MALAYSIA	2,600	3,000
U.S.	850	1,500
OTHER	3,350	7,500
TOTAL	65,000	104,000

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEATS, EXPORT DATA, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 14 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CANBER01043
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750054-0030
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750243/aaaabmep.tel
Line Count: 409
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: CODE 13-C
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUL 2003 by CunninFX>; APPROVED <03 JUL 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPECIAL QUARTERLY REPORT LIVESTOCK AND MEAT
TAGS: EAGR, ETRD, ECRP, AS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006